THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

July 2, 1949

FOURTH OF JULY

AN EDITORIAL

Korea: Dormant Volcano

Andrew Roth

Nanking Diary---II

Hung K'uei

Prospects For The Banks

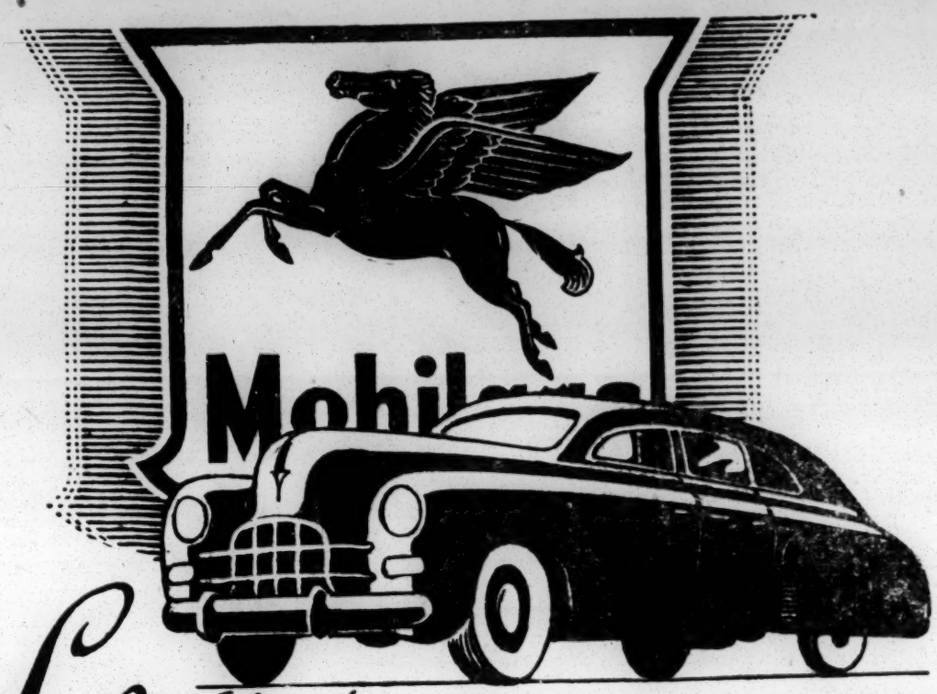
Huang Hsin-sheng

ENCOURAGING SIGNS

AN EDITORIAL

VOLUME 114 JMP400 NUMBER 5

上海中正東路一六〇號密勒氏評論報發行
上海中正東路十九號大美印刷所承印



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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Wage Scale

To The Editor:

It has been mentioned, in connection with the current labor disputes in Shanghai, that matters would be improved if the authorities would devise a wage scale for the various industries.

Some of your readers may be interested in some news I had from a friend who returned from North China recently and who also has had occasion to travel in Manchuria. He said that wage scales have been worked out in cities like Harbin and Kirin that have been liberated for a couple of years, but that nothing yet has been done along this line in Peiping or Tientsin which have been liberated more recently.

He said there is a tremendous amount of work involved in working out wage scales, since the different kinds of industries have to be thoroughly investigated, as well as the cost of living, etc. Then conferences have to be held with management and labor until general agreement can be reached. Both sides have to understand that production comes first, and that neither profits nor wages can be as high as one side or the other wishes at the present time while the war is still going on.

The problems in Shanghai will be even greater than those in Peiping and Tientsin, which have been liberated since the beginning of the year. Therefore, I think everyone should be patient and not expect action on this too fast.

M. L. TSAO

Shanghai
June 28, 1949

Wants Background

To The Editor:

I was very interested in reading Charles J. Canning's article, "New Democracy—Theory and Practice" (*Review*, June 25), particularly in its extensive quotations from Mao Tze-tung's writings.

I have made quite a search for some English translations of Mao's books, especially his "New Democracy", and find that there are apparently none in town. It is too bad, because I think a number of foreigners would be interested in getting more background on what the Chinese Communist principles are and what we may expect in the future.

How about the *Review* joining the search and printing some of Mao's works?

FOREIGNER

Shanghai
June 26, 1949.

(We've been working on it, too—Editor).

Smuggling Problem

To The Editor:

When ships resume their service to Shanghai from Hongkong and other places, the problem of smuggling will surely again rise. This has been the actual fact in other cities of the coast liberated by the People's Army before Shanghai.

Since this is an undesirable practice our authorities are making every effort to

THE CHINA WEEKLY REVIEW

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Subscription Rates

	3 months
Shanghai and China Outports (ordinary mail delivery)	JMP 4,800
Hongkong (ordinary mail delivery)	JMP 5,500

	6 months	1 year
U.S.A. and other Foreign Countries	US$5.00	US$9.00

Price per copy: JMP 400

STUDENT RATES

	3 months
Shanghai and China Outports (ordinary mail delivery)	JMP 4,000

(All subscriptions must be authenticated by the individual student's school and must be sent directly to the offices of the China Weekly Review.)

All mail rates are subject to change in accordance with postal changes.
Cable Address: "Reviewing" Shanghai Telephone: 14772

Published at 160 Chung Cheng Road (Eastern), Shanghai (O), China, by Millard Publishing Company, Incorporated under the Laws of the State of Delaware, U.S.A. Registered at the Chinese Post Office as a newspaper for transmission with special marks privileges in China. Printed by the Mercury Press, 19 Chung Cheng Road (Eastern), Shanghai, China.

Contents of previous issues of The China Weekly Review may be found in the "International Index of Periodicals," copies of which are on file in most standard libraries.

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stamp it out.

I think your readers in Shanghai particularly would like to have me tell them some of the things I have been told about how smuggling cases are dealt with in other cities.

In Tientsin one of the first foreign ships brought smuggled goods. The authorities discovered this fact despite the efforts to conceal it and confronted the ship with the evidence. Some of the illegal goods were confiscated, while that part belonging to the crew members was allowed to be brought in after all duties and some special fines were paid. The authorities warned the crew men, saying, "This is your first offense so we treat you lightly. But you must understand that in New China we do not allow things harmful to the people and so you must not do this again or punishment will be heavy."

This should be enough to discourage any ship from trying to smuggle again. How reasonable is the opinion of the new People's authorities! They do not want people to smuggle because it is harmful to the country's livelihood. Also it costs the government much money. Therefore, they have honest officials to watch who even treat those doing illegal actions leniently but strongly. Surely this is more sensible than the KMT which would mistreat the little smuggler but who would help the big smuggler.

CHINESE OBSERVER

Shanghai
June 29, 1949

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密勒氏評論報
A Weekly Newspaper Established in 1917

The editorial pages present each week the opinions of the editor. The other pages of The China Weekly Review are written by the other members of the staff and the contributing editors who report and interpret the news irrespective of the views expressed in the editorials.

Vol. 114 Shanghai, Saturday, July 2, 1949 No. 5

Fourth Of July

THE Fourth of July is usually an occasion for editors of American newspapers to discuss at length the glorious traditions of liberty of the United States. Upon this day which commemorates the securing of independence from British rule the past achievements can be reviewed and the hopes for the future discussed.

Looking back over our files since the war, we find that on this occasion we have written at some length (sometimes), reviewing the essentially revolutionary beginnings of the US and asking whether or not the United States was still pursuing a "revolutionary" path.

In 1947, for instance, we quoted a passage, parts of which might raise suspicions in some quarters in America today. The passage was, "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed. That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness..."

We think that the last sentence of the above quotation is most interesting today, especially to those of us who have recently experienced the liberation of Shanghai. This quotation, as some of our readers may already have suspected, is not the work of some "radical" engaged in disturbing the present status quo. It is selected from the American Declaration of Independence, a very respected document. In the part which we have quoted, the American founding fathers clearly set forth their belief in the right to revolution. In fact they even capitalized the word "right." What's more, they believed that the people had the privilege of organizing their new government in such a manner as "to them shall seem most likely to effect their Safety and Happiness."

For one to express such sentiments today is an open invitation to be called a communist and to be subjected to all the indignities of red-baiting as practiced by such groups as the House of Representatives Un-American Activities Committee. From what we can discern of current life in America, it would seem that many of its present officials could profit by a little reading from the Declaration of Independence, the so-called Bill of Rights, and a few of the other basic documents upon which the government is supposed to be based.

In the past, the Fourth of July used to be a day when the oppressed peoples of many countries—especially in Asia—could look to the United States as an example of how a country which had shaken off the yoke of a foreign imperialism could prosper once it became free and independent. In fact, the US used to stand as a symbol of freedom. To say the least, the symbol has become a bit tarnished in recent years. This is particularly true in Asia where American money and arms are helping the European colonial powers in their attempts to put down people's revolts. The excuse given by the proponents of the present expansionist policy of the US is that communism—a heretical doctrine which leads to the enslavement of people—is loose in the world and must be combatted. This despite the fact that America's own declaration of independence states that resistance to tyranny through revolution is justified. Also ignored is the statement to the effect that the revolting people have the right to institute a new government which they believe best suits their needs. Current American belief—at least on the official plane—seems to be that the only form of government suitable is the American one.

In 1948 we viewed the approaching Fourth of July with a certain amount of pessimism. We said, in part, "From where we sit, the forthcoming year promises to be at least as difficult and disappointing as the past. It is hard to imagine what we shall be able to write one year from tomorrow. However, we may all hope that upon that occasion we shall still have the freedom to write the truth as we see it."

While the past year has not been a glorious one by any means, since a lot of men have suffered and many have died, things have progressed far more rapidly than we imagined. China, for all practical purposes, has been liberated. Thus, there has been great progress in this country. The coming year, we are pleased to note, gives promise of considerable progress. We undoubtedly will have our problems, but the biggest job—the throwing off of the Kuomintang yoke—is about finished.

Our pessimism regarding our own position was hardly well founded. Certainly any doubts that we may have had as to whether we would be free to write the truth as we saw it have now been dispelled, although our American contemporary, the *Evening Post*, seems to have suffered at least a temporary demise since its editor, who fails to share our views, apparently feels that it is no longer possible to carry on. We can only hope that this is a temporary thing

and that the *Post* will be back with us serving the community long ere the next Fourth of July.

While none of us have the power to see into the future, it is possible to make a few predictions on the basis of currently available evidence. The coming year will undoubtedly see a marked improvement in the economic situation of the country as a whole. There is evidence that in areas long occupied by the People's forces, there have been dramatic improvements in the general economy. The former privileged classes have lost out to be sure, but the people as a whole have benefitted to a very noticeable degree.

We will possibly see some major improvements in Shanghai, although the question of foreign trade is still not settled and, since Shanghai is the foreign trade broker for a large part of the country, the city has come to depend heavily upon this business. There may well be, as we have pointed out in another editorial in this issue, other factors, such as an expanding internal trade, which will serve to offset the ill effects which might be expected from any prolonged stagnation of trade with the outside world.

The question of recognition of the new government will certainly come up in the near future and we certainly hope that long before this time next year, the foreign ambassadors will have become well settled in the capital city of the new China.

What the coming year holds for the United States is indeed difficult to speculate upon. Present indications are that an economic recession is in the offing and that the Truman Administration, in an effort to prevent a serious depression, is planning to increase government expenditures abroad. The situation in the US holds so many possibilities that it is impossible to explore them all. Suffice to say, America's course has been moving toward more dangerous ground each postwar year and the future may not be at all pleasant unless there is some reversal of current administration policies.

The past year has been much better than we expected, especially insofar as events in this country have turned out. Let us hope that by this time next year we will be able to write of even more rapid progress, not only in China, but elsewhere in the world where the people are struggling for the same things which the American founding fathers fought for.

Encouraging Signs

WHILE local business conditions cannot be said to be booming, there are, we believe a number of encouraging signs for the future economy of this city. Entirely too much attention has been paid, in both Chinese and foreign circles, to the status of foreign trade. This, of course, is not to say that foreign trade is not important. It is. In fact an expanded foreign trade is necessary if Shanghai is to experience prosperity in the immediate future. However, this city does not necessarily have to live on the country's foreign trade.

The Chinese Communists have long charged that in general the cities in this country were parasitical in nature since they tended to suck up wealth from the countryside and failed to return much of anything to the villages and farms. The reasoning behind this charge is quite involved and cannot be dealt with in full in these columns, even if we understood it perfectly ourselves. However, there is ample evidence available—and from non-communist sources—to indicate that this contention is most likely correct. The well-known rural sociologist, Fei Hsiao-tung, demonstrates most clearly how the cities often serve merely as instruments for draining wealth from the countryside.

In one fair sized town where he studied the economic situation for several months, Dr. Fei found conditions to be extremely difficult for the farmers and villagers living in the vicinity. He was able to show that, for example, tenancy was more widespread than was the case in the more rural areas. His explanation was that merchants and other entrepreneurs in the city had difficulty in finding additional business outlets for their large profits and thus turned to land. In a small village in which the old social concepts and practices prevailed, the spread between the wealthy and the poor was not so great. Further, the personal relationship factor between the boss and the employee helped to mitigate the evils of exploitation.

In the city, industrial opportunities were limited, as were the number and extent of trading or merchandising possibilities. The result was that the wealthy merchants began buying up land around the town. In addition to the fact that land was an available source of investment, the desire to acquire farmland—an almost pathological hangover from the old feudal days—spurred the merchants in their quest until they began buying land farther and farther distant from their city.

With this development (absentee landownership) came the institution of the overseer. The tenants lost personal contact with the owner and could not appeal to him as a friend and neighbor when in financial or other difficulties, with the result that the farmers' burdens increased.

While we have no figures for Shanghai and are thus unable to know if a similar situation exists in this area, there are other pertinent factors present which do tend to make Shanghai's existence somewhat parasitical. Lying virtually at the mouth of the Yangtze, the city has become the wringer through which all Yangtze Valley trade must pass, whether going in or coming out. Exports from Szechuen, such as tung oil and bristles, are floated down the Yangtze and up the Whangpoo to Shanghai where they are brokered to foreign traders. They may go through some slight processing here, such as repackaging or grading. For this service, the city exacts a fee.

Imports from abroad, especially in the postwar years, are generally off loaded here, regardless of whether they are for Shanghai and vicinity or for Hankow or Chungking. They may pass through the hands of one or a dozen brokers before they are finally sold to merchants who will reship them up river. Since it is the

financial and trading center for the entire Yangtze Valley, goods moving in and out must pass through this port, if for no other reason than for financing. Thus, in various different ways Shanghai takes its toll of all traffic.

In some instances this toll may be justified, especially if a really needed service is provided, such as large-scale financing, technical alteration of the product so as to make it more suitable, etc. However, all too often, the charge is merely an unnecessary brokerage one which is passed on to the ultimate consumer in higher prices.

In still another way Shanghai has drawn a profit from the countryside. Factories, especially textile mills, were originally set up here by foreign interests which discovered that the Chinese laborer, who was both skillful and cheap, could transform raw materials into finished products at very little cost, thus enabling the entrepreneur to re-export the finished goods for sale at a handsome profit in areas even more backward than China. Chinese merchants and others were not slow to follow the example of the foreigners. Today we have the spectacle of a huge textile industry centered in this city working, (under normal conditions) to a considerable extent for the export market while the majority of the local population—not to mention the populace of the country as a whole—is in dire need of cloth and yarn. The main profit which this country received from the foreign owned mills in the prewar days (when there were no exchange control regulations) was the money which the individual Chinese laborers earned. In the case of the mills owned by Chinese interests, a certain portion of the profits did revert to China, but precious little of it was used for anything but the erection of additional textile mills. The history of the development of some of the leading Chinese industrial families in Shanghai clearly shows that the country as a whole has not particularly benefitted from the fact that several extensive private industrial empires have been developed by native entrepreneurs, unless of course one considers the few American cents earned daily by mill workers as being particularly beneficial to society.

If one examines the customs figures for before the war, it will be seen that Shanghai was host to a whole raft of light industries whose principal contribution to the country was employment at starvation levels for a few thousands of workers.

While there is no doubt but what the country is better off because of Shanghai's rather extensive industrial development, there seems to be considerable evidence pointing to the fact that a large part of the industry was established not for the evident or anticipated needs of the Chinese people, but because of the needs of people elsewhere. With exchange control, it is no longer possible for firms to sell their made-in-Shanghai goods in India or America and bank the profits abroad. Thus, the country is in a position to retain a sizeable portion of the profits of this manufacturing center. Since we have not had a period of general economic stability since the exchange regulations came into effect, it is difficult to determine just how beneficial such manufacturing profits might prove to be for the economy as a whole.

AN AMERICAN VIEW OF THE CURRENT RECESSION

"Aw, there ain't no such things as ghosts."—The Rochester Democrat and Chronicle.

At this point there seem to develop two conflicting opinions. One holds that there is no use manufacturing a lot of material, say cotton cloth, and sending it out into the world markets when there are actually insufficient manufacturing facilities available within the country to supply the home market. An answer to this view is had by saying that since China is a poor country and, in the case of cotton, does not grow enough to supply the mills, she must buy raw material abroad. The only way she can buy it is to gain foreign exchange by selling the finished product abroad. The argument can be carried on from here more or less indefinitely. However, it soon gets too complicated for us. We can see, though, that there is little doubt but what a large amount of the industrial output of the factories in this city goes abroad and therefore does not help alleviate the huge internal demand for manufactured goods.

While it is perhaps too early to do more than speculate upon what views the People's authorities may have upon this subject, there are a few signs which would seem to indicate that the new regime may be planning to integrate the city's economic life more closely with that of the hinterland than has been the case before. On the other hand, though, there is also evidence that the authorities are not planning to forsake the traditional foreign markets.

Rather, it would appear, the byword is to be "production," with all efforts made to produce more and more, for both the home and foreign markets. Perhaps, as some local observers predict, the emphasis may continue to be on foreign markets for the immediate future, with a gradual shifting of attention to the home markets as the country's economy is stabilized and her foreign exchange reserves replenished. Right now China urgently needs many things which can be obtained only from abroad. Since the KMT managed to carry away most of the cash assets, as well as raw materials and finished goods, we are pretty nearly down to the bottom of the barrel as far as liquid assets go. For this reason a period of heavy concentration on restoring the old industrial and commercial pattern—pruned, of course, of such undesirable appendages as

bureaucratic capital, stifling state monopolistic practices, corruption, etc. may be forthcoming.

After this initial period we may begin to observe a shift toward a policy of satisfying the basic internal needs of the country. We think that we can already see some signs that such a policy may be developing simultaneously with the drive to increase exports. The movement of native raw materials into the city and locally manufactured goods back to the countryside is increasing steadily. Scarcely a day passes without several stories appearing in the local Chinese press about how private merchants have been authorized to ship such and such a product to or from Shanghai, or how the workers in a coal mine in the interior are receiving part of their pay in manufactured goods, or how workers in some Shanghai factory are receiving part of their wages in terms of rice and other commodities.

Although internal trade is just beginning to pick up and although foreign trade is still pretty much in the doldrums, steady progress is being made. One does not have to search the papers for trade items to reach this opinion. A stroll along Soochow Creek, one of the more important arteries connecting the city with the countryside, will reveal that it is about as busy as it ever was and it grows increasingly so almost daily. Where formerly all was confusion and disorder, junks are now neatly lined up side by side at various loading docks. Many bear flags identifying them so that trucks and carts bringing Shanghai goods and carrying off products of the countryside can easily find the proper loading platform.

This increase of trade with the hinterland is, we believe, of utmost importance. Not only does it mean that a part of Shanghai's economy is fast returning to normalcy, but it also means that even if the foreign trade slump continues longer than we expect and there are depressive economic effects from this, the increased internal trade may tend to spare the city from too much economic dislocation.

It is hardly necessary to point to the many more obvious encouraging signs that the country's economic life is getting the shot in the arm which it has so long needed. Production in many, many lines is increasing rapidly. This is especially true in industries which are not directly dependent upon supplies of some foreign product. Coal is an outstanding example. Reports from nearly all mines in liberated areas tell of weekly production increases. In some instances previous goals have been surpassed and in all cases the new goals are far in excess of the old output figures. An increased coal supply will go a long way to remove the ill effects of any petroleum shortage which we may face in the future if foreign trade does not return to normal as soon as expected. Eventually, it will enable increased production in many lines, since the country has long experienced a general fuel shortage.

Strenuous efforts are being made to increase the total cotton acreage in all cotton growing areas. In years past China has come close to growing enough cotton—allowing for export of some varieties and import of other types—to supply her needs. A substantial increase in internal yield might easily alter the whole textile picture. Food production is also receiving attention in virtually all parts of Liberated China. Loans to farmers are the order of the day, distribution of chemical fertilizers is being pushed, and soldiers are reported aiding in the harvests.

Tax income is rising steadily. In Shanghai, for example, the returns of some taxes are increasing almost daily, while others, computed on weekly or monthly bases, also show sizeable jumps. This is a particularly important feature since in the old days taxes generally were negligible due to the inflation, corruption, and general inefficiency of officialdom. A fair and just tax system, coupled with a currency which, as far as stability goes, is an entirely new experience for most of us, will result in tremendous improvement in the local economy.

While one may be pessimistic about the foreign trade picture, there is ample evidence that other aspects of the city's economy are proceeding satisfactorily. In fact, we may be in for reasonably good times much sooner than most people expect.

Tragi-Comedy?

THE US State Department, according to *Reuter*, last week welcomed the formation of a new government in Indo-China by the ex-Emperor of Annam, Bao Dai. The US statement read, "the formation of the new unified state of Vietnam and the recent announcement by Bao Dai that the future constitution will be decided by the Vietnamese people are welcome developments which should serve to hasten the establishment of peace in that country and the attainment of Vietnam's rightful place in the family of nations."

The statement then went on to say that the American Government hoped that the agreement between the French and Bao Dai "will form the basis for the progressive realization of the legitimate aspirations of the Vietnamese people."

The first thing which surprises us about this statement is that an American spokesman could keep a straight face while reading it off to the press.

Ever since VJ Day France has been trying one way and another to return to power in Indo-China. Beset with a continuing economic crisis at home and faced with a people in full armed revolt, France has found it impossible to reimpose her rule by military means. Actually, the French are having difficulty in staying in the country at all. Their control is roughly confined to a few major cities, with the Vietnam forces of Ho Chi Minh's government in control of the countryside. Travel between the cities is not safe, even when made in armed convoys. The country's economy is dead and the whole venture is costing France sums which she can ill afford, and which she absolutely could not afford were she not getting Marshall Plan aid.

The latest move of the French is to sign an agreement with ex-Emperor Bao Dai in the hope that the latter may have sufficient prestige to pull a few supporters away from Ho Chi Minh. Even the French themselves will admit privately that Bao Dai is being made a French

puppet, nothing less, nothing more. Many realistic French observers predict that this scheme, like all previous ones hatched during the past three and a half years, will end in failure.

In view of this situation, one is led to wonder just why the American Government felt called upon to issue a statement, filled with, in this case, meaningless words about "rightful place", "legitimate aspirations," and other such nonsense, supporting France's newest puppet.

One possibility which comes to mind is that the Truman Administration, faced with a policy failure of the first magnitude in China and fearing the effects of the Chinese revolution upon the numerous people's revolts in other parts of Asia, has now become willing to go along with the European colonial powers in the hope of preventing any change in the status quo in the rest of the Far East.

In any event, United States support, even of a verbal nature, for the schemes of European colonialists will do nothing to raise America's prestige in Asia. Quite the contrary, such statements will help to lower it still further. To an American observing events in this part of the world, it is both saddening and ludicrous. To the natives of Asia, it simply is proof of the now oft heard charge that America has become the friend and supporter of those reactionaries who oppress the people.

The Oil Problem

SHANGHAI'S recent gasoline shortage, although of brief duration and not serious enough to upset the city's life very much, did serve to highlight the whole oil problem facing this country.

In general China has suffered from an overall shortage of petroleum products ever since the beginning of the Sino-Japanese War. Since China is not an extensive producer of petroleum, she must rely on imports for the major portion of her requirements. In prewar years, the country's needs were not particularly great. With the beginning of Japanese aggression and the loss of the coastal ports to the enemy, however, the hinterland faced a real petroleum famine.

Those in the interior during the war will remember all too well the charcoal burning trucks and buses, as well as those vehicles which were fortunate enough to obtain supplies of wood alcohol and other substitute fuels. The shortage did not end with the defeat of Japan. Lack of foreign exchange made for reduced imports.

Although the general public usually becomes aware of the oil problem only when fuel for motor vehicles is rationed or temporarily exhausted, gasoline is only one of the many petroleum products required to keep this country's economy moving smoothly. Recently we have heard a lot about the problems of the Shanghai Power Company which depends upon oil for a considerable portion of its power generating equipment. Of importance, too, are the various types of lubricating oils and greases needed by textile mills and other factories. An adequate and assured supply of all types of petroleum products is essential for any country's economy today. In China the problem is perhaps of more than usual importance because of the fact that so little is produced internally.

How this country is to solve the problem is difficult to say at the present time. Certainly, all efforts toward boosting internal production of natural and synthetic petroleum should be made. However, for many years to come oil will have to be imported. At the present moment, we understand, world production is quite sufficient for demand. However, that was not the case two or three years ago, and a general shortage may be felt from time to time in the future.

One likely reason why oil generally is not in short supply at this particular moment is that many successful new wells have been drilled and several new refineries completed during the postwar years. Another factor is that consumption in many parts of the world has not increased as rapidly as was earlier predicted. Civil war in China, for example, has prevented the rapid expansion of industry and has thus kept this country's requirements relatively low. Colonial wars in Indo-China, Malaya, and Indonesia have also prevented industrial growth. Asia's total petroleum requirements today, although estimated to be some 25 percent higher than prewar, are not as great as anticipated.

Such a situation obviously will not last indefinitely. Here in China we are witnessing a startling revival of certain types of industry and, when some of the supply problems are solved, China's industrial growth in all lines should be staggering. The same may well be true in other areas of Asia once the political problems are solved.

The Standard Oil Company recently compiled some figures on oil production and consumption in Asia which indicate clearly the trend toward increasing demand. These figures, which were collected on the basis of information available late last year, do not take into account the fact that China's needs will undoubtedly skyrocket in the coming years.

"While consumption of all oil products is rising in the Far East," the report says, "the biggest jump is in demand for diesels and light industrial fuels... The widening use of (these) middle distillates in the Far East is a composite, made up of so many comparatively small individual needs that it is difficult to analyze. It reflects increasing farm mechanization in New Zealand and industrial growth in Australia; it tells of farm and industrial uses of the mechanized equipment left in India with the backwash of war; it reveals the fact that many of the craft in the harbor cities of China have converted from coal to fuel oil. All in all, it is symptomatic of the vast social and economic changes that are slowly permeating this part of the world.

"Half the world's people live in the East. On a per capita basis, their oil consumption is still extremely low. Today they are using an average of only four gallons a year—about as much as every person in the United States consumes in 48 hours. In no other world area is there such

a tremendous potential demand for oil."

The import of these figures is tremendous. Assuming that China sticks pretty close to the average for Asia and consumes roughly four gallons of petroleum products per capita per year under present conditions, the need for the future will be phenomenal, especially if one notes that in industrialized America the per capita use is about two gallons per day.

Of course China can meet a large part of her increased petroleum needs by using other types of power generating fuels. China is rich in coal and she can make the best possible use of it, employing coal as a fuel wherever possible. For the long term, she can look toward generation of substantial quantities of power through hydro-electric installations. However, she will still require ever increasing quantities of virtually all types of petroleum products.

While the extent and location of China's oil deposits are not yet completely known, it has been presumed by geologists that this country more than likely does not have very great oil reserves. The best known fields found so far are in Kansu. How extensive they are is not generally known to the public, but it was found during the war with Japan that the location of these fields made wide distribution of the oil difficult.

There are also some known fields in Szechuen, but, according to reports made public during the war, they are not particularly great. Some observers believe that China's best chances for developing an indigenous source of petroleum lie in the use of the oil shale deposits of Manchuria for synthetic oil. Of course, coal can be turned into petroleum, too.

Oilmen claim that production of synthetic petroleum products is uneconomic under present conditions. Natural oil, of which there still seem to be sufficient quantities, is much cheaper to produce. However, the day will undoubtedly come, they say, when the world's supplies of natural oil will have become so exhausted that it will be necessary to begin relying upon synthetic fuels.

China may want to begin to develop her synthetic oil industry sooner than some of the other countries of the world. Even though the fuel thus produced would be more expensive than purchasing natural petroleum products abroad, there are two prime incentives. The most important has to do with national security. The example of Germany in the last war is too obvious to overlook. Blockaded and cut off from foreign oil imports from most areas of the world, she managed to subsist largely upon her extensive synthetic industry. A second incentive toward early development of such an industry is the husbanding of foreign exchange. While the oil may cost more in terms of money and manpower, China may wish to conserve her foreign exchange for those materials and products which she absolutely cannot produce at home.

Talk of a synthetic oil industry for this country may well be putting the cart before the horse, since such an industrial plant takes years to develop and, quite possibly, might not result in total self-sufficiency even when completed. It seems more likely that for many years to come China will have to depend upon imports for nearly all of her petroleum requirements. However, there is certainly no harm in looking to the future, no matter how far distant.

25 Years Ago in *The China Weekly Review*

New Items

June 28, 1924

Chief interest in Far Eastern matters is still centered in the Soviet agents in China and reactions to the agreement signed between Peking and the Soviet on May 31, laying down the principles which will guide the conference of the two countries which is expected to be officially called within a very few days....The killing of six people, three foreigners, at Canton on June 20 when a bomb was thrown by an unknown hand into the midst of a banquet party in honor of Governor-General Merlin of Indo-China, caused a profound shock; but the apparent irresponsibility of the perpetrators of the act attached no particular international significance to the calamity....Early in the week, a sudden and unprecedented rise of the Min river in Fukien province, took a heavy toll of lives and wreaked heavy damage on property and crops. The only other news of special significance is in connection with the trade-mark law bureau, which has begun to receive the patronage of foreign firms, the latter evidently despairing that their diplomatic representatives or home governments are going to accomplish anything by the protests lodged with the Peking government.

* * *

Students In US

Owing to the difficult conditions of the Chinese students in America sent over by the provincial governments, the Ministry of Education has circularized the provincial authorities urging them not to send any more students to the United States since they do not have sufficient means to maintain them abroad.

10 Years Ago In *The China Weekly Review*

Scrap For Japan

July 1, 1939

The British freighter Bonnington, loaded with scrap-iron destined for Japan, was held up at Tacoma, Washington on June 25 because of the refusal of longshoremen to pass picket-lines established on the dock by the American Committee for Non-Participation in Japanese Aggression. The picket lines were established by the local chapter of the Committee in Spokane. The head of the organization, which is national in scope, is Col. Henry L. Stimson, former Secretary of State.

* * *

Mongol Air Battles

Breaking a lengthy and inexplicable silence on the subject of reported aerial battles and land actions on the Outer Mongolian-Manchukuo frontier in the region of Lake Buir, all of which came uncontradicted, from Japanese sources, the Soviet *Tass* agency issued a lengthy communique in Moscow on June 25, admitting that a series of clashes had taken place but denying Japanese claims to have shot down large numbers of Soviet airplanes.

The communique dealt with events dating back to May 11 when, it was claimed, Japanese and Manchukuo troops invaded Outer Mongol territory. Clashes, continuing intermittently for 10 days, in which there were killed and wounded on both sides, finally ended in the expulsion of the invaders, it was stated.

KOREA: DORMANT VOLCANO

Andrew Roth

WHEN Doctor Anup Singh, Indian delegate to the United Nations Commission on Korea, made a statement recently, he earned the hostility of South Korea's government but the thanks of the Korean people. He simply emphasized the UN's responsibility for expediting the withdrawal of American troops and its paramount task of helping Korea achieve peaceful unification.

Despite constant danger signs in the shape of border flareups and local outbursts, the menacing volcano of a Korean civil war has not yet erupted. Its eruption has been deferred by the actions of the US and Soviet governments which gave birth to rival regimes in south and north Korea.

Political Frankenstein

The US has just turned down an insistent request from the South Korean government for additional military aid. This aid on top of that already given would, Washington fears, give south Koreans enough offensive arms to encourage hotheads in the government to attempt to invade the Soviet-supported north Korea. Since last September, under the terms of the military agreement between the US and the Korean governments, the American army has retained the control of a strip of territory five miles to the south of the 38th parallel which is the dividing line between the two regimes. This was inserted at American insistence in order to prevent an attack by South Koreans across the the border into north Korean territory. This agreement lapses when the last American tactical units withdraw from Korea in July, leaving only a training mission behind. Washington is still not willing to risk the impetuous highstrung south Korean government's precipitating a Soviet-American showdown through a Korean civil war. "We've created a political Frankenstein here," said one American, "and we are afraid it will decide to walk across the border."

However, the momentary lull does not remove Korea's explosive potentialities. Both the rightist government in Seoul and the leftist government in Pyongyang make claim to the whole of this strategic peninsula and have made clear their willingness to resort to arms to assert their right.

Among the most important elements producing this belligerency are leftwing refugees from the south now in the north and rightwing refugees from the north now in the south. Among the over 2,000,000 refugees in the south, many are expropriated landlords who would love to march north and get back their own. Among the northern refugees are many leftwingers who have been tortured in southern jails and would like to settle with their former jailors.

The north Koreans are militant in both expression and action. According to north Korea's radio Pyongyang—no American or west European reporter has been allowed into north Korea since Anna Louise Strong's visit in 1946—the south Korea government is only "a puppet of the American dollar imperialists."

Actually, the north Korean government has passed agrarian reform laws applicable to south Korea, kept in contact with anti-government politicians there and has just formed "a democratic front to drive out the American troops and unite the fatherland." They claim that there are already eight "liberated areas in south Korea where people have risen up against American imposed masters." It remains to be seen when American troops leave in July what steps the north Koreans will take. Already thousands have been killed and tens of thousands made homeless in the rebellions in Cheju, Yosu, Chulla Namdo and other regions in south Korea where, it is charged by southern Korean Leaders, organizers from north Korea have supported rebellions.

Equally Belligerent

The south Koreans are equally belligerent. In the streets of Seoul rightist youth groups parade their aggressive intent. Dr. Syngman Rhee, contentious 75-year old President of south Korea, told two members of the United Nations Commission on Korea not to worry too much about peaceful unification. "If we get enough arms from the United States, we'll easily conquer the north. Most of the people there support us anyhow," he is reported as saying.

Dr. Rhee is propounder of the "one people" (Ilmin) doctrine and has told the south Korean national assembly that if north Korea doesn't knuckle under peacefully, it will be necessary to march north.

Former Foreign Minister T. S. Chang disclosed this same attitude last December 18 when he asserted: "We regard Communist-controlled north Korea as lost territory to be regained at any cost."

The present foreign Minister Ben C. Limb agrees that the Korean civil war is "an irrepressible conflict" like the US Civil War. "It has got to come if it must. You Americans fought the civil war because you felt that it was the only way the union could be preserved. We, too, must defend what we believe." Mr. Limb admitted that the Chinese Communist victories left south Korea "an island in a red sea" but insisted, "Even if we are deserted by our (American) friends we can have no choice but to follow the dictates of our conscience."

The south Korean government claims an underground in the north. It has sent agents across who were apparently responsible for the uprising in Haejo in January. The south Korean government has already appointed governors for the five provinces of north Korea with "temporary offices" near Seoul's south gate!

Those who don't believe in forcible unification under the aegis of the south Korean government are dubbed "Communists" and if possible are beaten up or jailed if they speak their minds. Three members of the National Assembly—none of whom are leftists, since the left boycotted the election—who have favored the withdrawal of American troops and peaceful unification were arrested in May.

Indicative is the south Korean government's attitude toward the United Nations Commission on Korea (UNCOK) which was sent here to observe troops withdrawals and seek peaceful unification and the extension of representative government. Last February, when UNCOK first came here, Dr. Rhee demanded that the names of all the people they wanted to see had to be cleared with him. He specifically singled out the extreme rightists Kim Koo* and the moderate rightist Dr. Kim Kiusic as people whom they should not see even socially. He said they are "traitors" who are "being used by the Communists." Dr. Rhee said "civil war" might even erupt if UNCOK saw them. Their great crime, in Dr. Rhee's eyes, is that they opposed and boycotted the May, 1948 elections and even now favor peaceful unification through consultation with northern leaders.

Baby Sitters

Dr. Rhee and his government have been even more indignant about UNCOK's attempt to contact the north Korean regime to discuss unification. He has made it clear that he considers any such contact as tacit recognition of the north Korean regime as well as an affront to his government. On May 19, Foreign Minister Ben C. Limb warned UNCOK," The consequences" of any plan "to negotiate or confer with certain representatives of the Communist organization in northern Korea regarding the reunification of Korea....could be most serious." UNCOK has ignored this protest and has attempted to contact the north Korean authorities. "According to Dr. Rhee," said one commission member, "we are supposed to be merely political baby sitters—here simply to lend prestige to his government!"

Curiously enough the south Korean government has used the same hectoring tone in attempting to high-pressure the US to halt its withdrawal of troops, give more arms to south Korea, enter into a binding

*Late dispatches from Korea report Kim Koo was shot to death June 26 by a member of his Korean Independence Party.

military alliance with it and form a Pacific Pact.

The south Korean attitude toward the United States is based on the quaint assumption that the US is responsible for the Communists now in Korea. President Rhee (who—together with other rightist Korean politicans—was flown back to Korea by an American army plane in 1945) said on May 7: "The republic of Korea is struggling for its life against a Communist menace that isn't of its own making. When Japan was defeated, there were no Communists in Korea. They were invited in by the division of our country across the middle by the Russian-American agreement. The Communists were greatly strengthened in south Korea by American efforts to deal with them on a basis of compromise...."

The statement that "there were no Communists in Korea" in August, 1945 is all the more curious because at the same time that this was made, there were extensive stories in the Korean press about the trials of Korean policemen who had under Japanese rule tortured many underground Communist workers. Hundreds of Communists were released from Japanese prisons here in 1945. Most neutral observers, unlike Dr. Rhee, have considered that the American army followed a strongly anti-Communist policy in south Korea.

Since the US is "responsible for the Communist menace," the south Korean government has demanded that the withdrawal of American troops be halted. On May 19 the Ministers of Foreign Affairs and National Defense insisted that the US has "a moral obligation" to "guarantee protection for the republic of (south) Korea before they withdraw their forces...."

In addition to public protests the south Korean government has demanded some US$200,000,000 worth of arms, the formation of a Pacific Pact, and a military alliance allegedly for defensive purposes. However, Dr. Rhee asked on May 17 for "a public declaration to defend a reunited democratic independent Korea" by the United States. By using the word "reunited" Dr. Rhee made it crystal clear that he expects the US to defend his government against any consequences of any attack against north Korea.

The US position has been that it is going to withdraw its forces in July pursuant to its pledge to the UN. It is leaving behind a training mission of several hundred. High American army officers feel that with the arms already given and those left behind when American troops pull out, the 60,000-man south Korean army—which is being expanded to 100,000 men with a trained reserve of 200,000 and organized youth groups of over 1,000,000—will have more than enough to defend itself. (North Korea is believed to have about 130,000 troops, part of whom are gendarmes.) "You don't think we would spend hundreds of millions of dollars here without taking the precautions to have it defended!" snorted one high American diplomat. He made it clear that the State Department is concerned about the aggressive intentions of the south Korean government. High Army officials have indicated that they believe the south Korean government is responsible for about half the border incidents and that some are staged to impress Americans with the importance of extending south Koreans more help.

The shrill warlike talk of the governmental leaders of north and south Korea tends to obscure the fact that the overwhelming majority of people want peaceful unification. Almost every one interviewed outside of government circles disclosed that desire. Members of the UN Commission who have been touring Korea since February report that this feeling is strong throughout south Korea and—presumably among people in the north. Sixty-three members, or almost a third of the south Korean National Assembly—the election for which was boycotted by the left—have petitioned UNCOK favoring the withdrawal of US troops and peaceful unification of the country.

UNCOK is now considering the various methods proposed to bring about peaceful unification. But few people in Korea have any hope except for "a shotgun wedding" sponsored by the USSR and the USA. Only if the two great powers come to an agreement on Korea can they bring enough pressure on the contending governments they have sponsored to secure peaceful union.

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NANKING DIARY-II

A Personal Account Of The Changeover

Hung K'uei

This is the second half of a diary by a Nanking resident covering the days before and after the city's liberation—Editor.

Monday, April 25

THE price of the silver dollar has remained fairly stable these two days. It is a wet day. The streets were very quiet. There were few Liberation soldiers about and there were no crowds of people watching them. When the first groups came, they were objects of curious observation, almost to their embarrassment! People had heard so many stories about them, from one extreme that they behaved like beasts, to the other that they were angelic, so much so, that most people had almost forgotten that they were just the same ordinary Chinese people as themselves. At one time during the day I saw many soldiers carrying bamboo poles and something like stretchers, and I saw the same ones going from south to north. Did they have so many wounded? A few hours later I saw the same going from north to south, carrying the stretchers. A few had people lying on them. Most of them, however, carried bags of flour, fuel, vegetables etc.

This is the Liberation Army's means of transport, at least one of them. They had walked hundreds and thousands of miles with very little mechanized means of transport. The Nationalist troops had commandeered or just taken nearly all the trucks in the city; fortunately, the Bus Company and the Post Office had saved many. (Later the Liberation troops got back many vehicles which were taken by the Nationalists, but abandoned on the roads, miles outside Nanking. Many drivers, who were forced to go with them, deliberately rendered the vehicles immovable, so they themselves came back, leaving the vehicles on the road.) We had electricity. The radio said that the Communist troops were driving close to Shanghai.

* * *

Tuesday, April 26

I WALKED about the busiest center, turning into one street and another. Things looked normal. Horse-carts, rickshaws, peddlers and pavement money-changers were shouting in their usual manner for customers. One man even waved a US$20 note in one hand and tinkled silver dollars in the other. The US notes had no market in the last two days. The value of the silver dollar has remained about the same in the last three days. A driver told me that a soldier paid 500 dollars in People's Currency for two eggs. This is several times too high. (Later, when the rate was fixed, this was 27 times too high.) I think this was a deliberate policy. These notes were new to the people; the soldiers did not force their acceptance. This incident is interesting as it shows how the Communist troops win the confidence of the people right in the beginning. Stories of this kind grow all the time.

There is no doubt that the discipline of these troops is incredible. It is so thorough that it seems to spring out from each individual as part of his nature. This is a constant amazement to the people whenever the troops enter a city or town. To the common people the Nationalist troops and police are enemies deeply feared and hated. These Communist troops behave as their saviours; they truly live up to the name of "People's Liberation Army." No one with eyes to see and ears to hear can deny this fact. This contrast between the two poles, as it were, could alone win the war.

Some credit must be given to the Nationalist troops retreating from the city during the night of the 22nd without looting, as it has been their habit to do so when retreating from other cities and towns. Some say that they could not loot in the middle of the night and also that they were in a desperate hurry to get away. During the early morning they did take many men and vehicles with them. A friend of ours lost her rickshaw and the puller. He escaped on the third day and came back. About a thousand policemen, not wanting to go with the Nationalists, took refuge in some of the universities: now they have registered themselves and are carrying on their normal duties.

During the emergency days institutions organized their own watch groups, taking turns day and night for fear of looting. Actually no looting took place in any institutions or private homes. It took place only in big shops, especially rice shops and high officials' houses, e.g., the President's house and the Mayor's house, and public buildings, e.g., the Ministry of *Justice!* Fire was set upon these buildings. The looters were not organized, but they were the ordinary people and had eyes to see for themselves. Had they ever seen justice in their lives?

* * *

Wednesday, April 27

SOME bombers came. They dropped some bombs and machine-gunned. After lunch I took a long walk about the streets, just to see whether anything was happening. It was hot. The streets were full of people; many of them were carrying their bundles of possessions and going towards the north, back to their homes. There were very few soldiers about.

In one street, I saw five soldiers, one on a bicycle, and four walking, none armed; they were trying to buy some sweets from a peddler who refused to accept the new notes. (The authorities had not yet taken over the city and the new currency had not been introduced). The soldiers walked away. I caught up with them, talked to the peddler and persuaded him to accept the new notes, explaining that these would be our currency very soon. He agreed and called back the five soldiers. They returned and bought some sweets. I had, in my hand-bag, nine old $10,000 notes and 10 $5,000 notes. The peddler said that the $5,000 ones were no longer useful. (Last August when the new currency was introduced, the rate was 4 to the US dollar. Now $5,000 notes were not accepted by the sweets peddler. Time was certainly moving fast here and now.) I bought 18 small fruit-drops with my nine $10,000 notes. I offered them to the soldiers; I was curious to see their reaction. Very politely but firmly they refused and thanked me.

* * *

Saturday, May 14

FOR over a fortnight I have recorded nothing. I have seen nothing unusual. Big changes such as the new currency and announcements about the new regime are always made through public announcements in the press and over the radio. These will be put in print by journalists, historians and government authorities. My immediate interest is to observe the reactions of the common people in the street to the new regime.

This afternoon we went to see some friends who told us that they had had two soldiers visit them that morning asking for some fuel—firewood. There was no written document asking for this contribution. Mrs. G. asked for a receipt for the 20 catties of wood which they took. The only receipt the soldiers had was for 100 catties, so no receipt was left. Mrs. G. naturally was not very pleased. Were the Liberation troops really different from the Nationalists, or were they just the same, robbing people at every turn? This incident was a shock to me, for I had always heard about their "exemplary conduct." However, this feeling of shock did not last long. The two soldiers came back

AN INDIAN VIEW OF THE MARSHALL PLAN

"American-European economic cooperation has without doubt changed the whole face of Europe."—Sir Stafford Cripps.

—Shanker's Weekly, New Delhi

while we were still there and presented two printed receipts each for 10 catties of wood. These receipts were to be kept for future use; they could be used either for exemption from the equivalent amount of taxation or to buy commodities from some government stores. These soldiers could easily not have returned with the receipts, and no one could have done anything about it. No one could report to the authorities the names and numbers of these soldiers, for they wore no insignia, none do, from the highest commander to the lowest orderly.

This lack of labels has its amusing side. About three days after the Liberation Army entered Nanking the basket-ball team of a local school invited a team of the Army to play with them. During and after the game the boys got on to friendly and chatty terms with the soldiers and in the end, to their great astonishment, they discovered three divisional commanders in the team! This reminds one of the reports by Edgar Snow and other Western correspondents who visited the Red areas: Mao Tze-tung and Chu Teh (Supreme Commander of the Red Army) lived and mixed completely with the common soldiers and village peasants; no one took notice of them. No body guards, no shouting to attention and no clicking of heels.

* * *

Sunday, May 22

WE found the city wall liberated! The city wall of Nanking dates back to the Ming Dynasty from 1368 A.D. and is supposed to be the longest in the whole world—25 miles long. Ever since our arrival in Nanking in 1946 we had wanted to walk, section by section, around the whole of the wall, but it was not possible. Barbed wires and armed sentries were placed here and there. One could walk only a short distance at any point. The KMT sentries would shout at people trying to get through. We had been stopped in this manner many a time and I used to get away as soon as I saw the KMT soldiers in the distance. I dreaded and hated their sight and voice. I felt humiliated. I could not forget that in the west the soldiers were to protect the people and were their friends.

Since Liberation we had heard that one could walk on the wall now, but we had not been able to verify this ourselves. This afternoon we went out to see. We came across one sentry. He asked us where we were going. We said just for a walk and he let us pass. The view from that section of the wall was very interesting; we had never seen it before. As we walked on and on new vistas opened before our eyes. The wind blew through our summer clothes. We felt physically liberated. We now plan to go again, week after week, covering section after section until we have walked the whole 25 miles. We should be able to do this in five trips.

* * *

Tuesday, May 24

NANKING has been liberated one month today. Most of the government departments and public institutions have been "taken-over." Friends may be interested to know who actually take over and how they do so. We have asked such questions ourselves: The Communist troops come from the villages. They have had no experience in governing cities, and Nanking is the capital (and later will come Shanghai, one of the biggest cities in the world). What are they going to do? They will have to give in to the old ways; even they themselves would, sooner or later, yield to temptations and become demoralized, just as Chiang Kai-shek's gang did.

The following accounts were told to us by our own friends who took part in "handing over" various institutions.

To begin with, one or two (depending on the size of the institutions) representatives of the Military Control Commission went to the institutions and lived there, discussing details with the hand-over authorities. Accounts, books, inventories, lists of staff members and their work and responsibilities, etc., had to be prepared.

In the case of a Government university with over 4,000 students, the preparation took more than a week and was made by many small groups. The members of these small groups were the elected representatives of professors, lecturers, assistants, students, administrative and clerical staffs and servants. The groups are a cross section of units of all the professional ranks. When the actual take-over took place, more representatives from the Military Control Commission came, about one for each College (College of Arts, College of Sciences, College of Agriculture, etc.) and they went over department after department, checking equipment against the lists. After this, one copy of the lists was kept by the Military Control Commission, but the whole property was now in charge of the university people themselves; they must be responsible for looking after it. They were told officially, "All the property belongs to the people. You are the people. The property is yours. You are responsible for it all." The psychological effect is deep. Students and servants (and workers in factories too) are tremendously enthusiastic. Stealing, dishonesty and graft of any description are to be abolished once for all and without any force. This change is fundamentally political and psychological, and nothing more or less, as far as the institutions themselves are concerned.

One institution was taken over by a very young man, a mere lad. He lived in the institution. He was naturally asked to eat with the research staff, but he adamantly refused and insisted on eating with the servants. It was found that this young man had been a student in one of the universities here and escaped about three months ago, when Chiang Kai-shek was ordering another mass arrest of students. He intended to go to Peiping, but when he reached Honan, the Liberation Army was already preparing to march south to cross the Yangtze River. He was accepted by the Army in Honan and trained there. Now he is back in Nanking and has been given the authority to take over a public institution. His work commands respect and does credit to the training of the Chinese Communists.

These young men and women, some of them hardly grown up, are very serious minded, honest and hard-working. They believe, as the peasant soldiers believe, that the making of the new China from the state of utter rot, depends on their sacrifice and service. They are young and have idealistic dreams, but at the same time, they are very realistic, trained to be so by the Chinese Communist Party and Army. Facts have already proved that they can make a new China. Whether you like it or not, you cannot deny this hard fact.

The salary of the civil servants has not been fixed. The authorities are "studying" local conditions. A

few days after they entered the city, they gave $2,000 in People's notes to everyone, from the highest professional member to the lowest servant, and called this "relief money." This amount was equivalent to the monthly salary of a university assistant under the KMT regime.

"Relief" was needed, because the heads of many Government departments, e.g., the mayor of Nanking, and public institutions, e.g., the president of the National Central University, had run away with large sums of money. In the case of the latter it was the funds for the next six months—salaries, money for the feeding of 4,000 students and other expenditures. The money taken by the mayor was an enormous sum. About two weeks after the "relief money" was given, $3,000 was given as a "salary advance", again to all —from the highest to the lowest. How about the students in government institutions? They had to be fed. In the case of Central University, a certain sum of money was given to the students' committee. (The sum was published in the press, but I have forgotten how much it was.) How long this sum was to last was not stated by the authorities. What a temptation for the students to eat up this sum of money quickly and then ask for more. I asked a student about this and, according to him, they were having better food. Any squeeze, I asked? No, they have committees. Members are elected. Accounts are public. Reports are made at meetings and mistakes are criticized openly.

Every institution and organization has been organizing small study groups, groups for learning and self-criticism. A friend, head of a very large public institution, told me that in his institution, each group represented a cross section of all the professional ranks. At the meetings they would report, discuss, criticize and make common decisions. "Real democracy is a slow process in carrying out the work of a large institution," remarked our friend with a smile, not without a sense of complaint. But have I not heard persistently from my Western friends and read Western writings that the Communist rule was dictatorship under which the individual had no value and no say and that the Chinese Communists would be no exception? How I wish that you could all be here on the spot to see for yourselves what the Chinese Communists are doing. Your eyes would be opened as ours have been and you would be wiser. One Westerner said, "I would not have believed this if I had not seen it for myself."

* * *

Wednesday, May 25

RECENTLY I saw again and again on a certain section of a certain road a young woman in uniform carrying a small child. This was a puzzle to me. How could these Liberation Army workers have time to play with the children of their friends or relatives among the local population? Now I have found the explanation. There are married couples working in the army. When the army marches forward to liberate cities, the children follow with their nursery schools and kindergartens. They follow behind the fighting lines. After the cities are taken and order restored, the schools enter. The woman I saw was probably carrying her child to and from one of these schools.

Families are given living quarters, though they live as simply as all the others. Schools for the small children are mobile, so that they will not be away from their parents for long periods.

I must here mention the persistent talk and beliefs current before the liberation that the Red Bandits shared wives and husbands and took children away from their parents. Only a few months ago, a very high KMT official told me that this was so. My common-sense Chinese refusal to believe such rumors was of no avail to him. For 22 years this vile propaganda by the KMT Government was so persistent that the chairman of the Hupeh People's Political Council went secretly to the Communist area to find out for himself. Upon his return he reported what he saw in the press. I should not be surprised if he had been subsequently arrested by the KMT unless he managed to get away soon afterwards.

Would the following be regarded as breaking up homes? When a baby is born, the mother is given the money for 50 catties of rice, 80 eggs, four catties of chicken and 10 feet of cloth. Delivery and medical care are free. Afterwards there is no ration for the baby. He or she gets food and clothing from the schools.

* * *

THE above account is what I have seen and heard from friends and ordinary people in the streets. I have avoided anything official or ideological. Trying to find the significance and interpretation of these ordinary happenings, I have been looking up some of the books which I read years ago. I only wish a book could be written to interpret the Chinese Revolution to the West. Many people in the West, including some of my own friends, have said and are still saying that this is just another of China's perennial civil wars and nothing will be better. It is not for me to argue with them. History alone will prove which judgment is correct and which is not.

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Prospects For The Banking Industry

Huang Hsin-sheng

(Translated from the Shang Pao)

FROM the days of the war of resistance against Japan until about a month before the liberation, the financial industry of Shanghai was on the up-grade to abnormal prosperity. During the enemy and puppet occupation, many new banks and native banks were established, and those merchants who became rich on speculative and hoarding activities all assumed for themselves the roles of bankers and started to establish banks. On VJ Day, many such houses were closed down, but these "bankers" resorted to the ruse of reviving themselves with the corpses of other dead bodies, and re-established themselves through the taking over of banks which had been previously closed down. Many banks also returned to Shanghai from "Free China." Prosperity returned to the Shanghai banking industry.

False Books

During the first few months of the current year, interest rates rose to as high as 20 to 30 percent per day, and an average bank, for example, with funds approximating GY500,000,000 was in a position to earn one or two gold bars a day. And there were many with larger funds at their disposal. To facilitate their speculative and hoarding activities and to circumvent restrictive regulations, the banks began to keep separate sets of false books.

By this time, although a general depression had hit industrial and commercial circles, the banking business prospered. This prosperity was built, in the course of the past decade, on the puppet Central Reserve Notes, the bogus fapi, and the bogus gold yuan, all of which were continuously and seriously inflated and devaluated, on gold and US currency notes, and on realty, bonds, stocks, and commodities, all of which were objects of speculative and hoarding activities. The bankers gained access to the left-overs of the imperialists, the bureaucrats, compradores, and feudalistic capitalists who were undertaking the plundering of the masses. Their abnormal prosperity endangered the people's livelihood, and the banks unconsciously participated in acts of oppression against the people, serving as small abettors in crime.

Great Difficulties

When Nanking was liberated, the economy of the city came to a standstill. Factories were closed down, communications disrupted, markets for commodities stalemated, remittance facilities stopped, and the banking houses also fell from their position of abnormal prosperity. Deposits and loans decreased, but expenses were increased with rising prices. For the first half month of May, many banks had to pay wages at a discount. And for the second half of May, there were many which were able only to give their employees food, but no pay. During June, many of the banks must be facing even greater difficulties.

How is it that within the short space of less than two months, these banks have found themselves in such great difficulty? It is true that in a way these banks had been abettors in crimes against the people, but on the other hand they themselves had likewise been exploited, plundered and oppressed by imperialism, bureaucrats, compradores, and feudalistic capitalists. The miscellaneous forms of exorbitant taxation, the numerous restrictive regulations, the unreasonable high reserve asked of them, and the August 19, 1948 Gold Yuan reform program with its unfortunate results all contributed to the oppression of the banks.

There has also been the problem of unhealthy organization of the banks themselves. Bureaucratic practices and nepotism were carried into the management, and the banks often were called upon to support an excessively large staff beyond their capacity. There was also much waste and extravagance in their expenses. Consequently, once the tide of abnormal prosperity turned, many banks have been in the position of being unable to maintain themselves.

Present Dilemma

The people engaged normally in the banking industry, both the capitalists and the employees, find themselves in a dilemma today. There are no deposits and there can be no loans issued. Transportation facilities are still disrupted, and remittances are at a standstill. Usurious interest rates can no longer be charged under the People's Government, ror can false books covering up speculative and black market transactions be kept. Daily expenses must be met as usual.

For the approach of the new era must lead everybody to a period of self-retrospection of the past in preparation for the shouldering of new responsibilities in the building of the new order. In this new order, the major economic objectives are the development of production and the promotion of economic prosperity. The financial industry must, therefore, work for the realization of these objectives, and uphold the spirit of public service, if it is to exist and be developed.

To promote economic prosperity and to develop production, it is first necessary to stabilize the financial situation. The People's Notes must be given full support and stabilized, and must not be used as a medium for speculation. Thus it seems the major function of the private banking industry today is the encouragement of savings, for the accumulation of capital is needed for the industrialization of China.

When the idle funds of the people are no longer employed for speculative and hoarding purposes and are turned into productive capital, cur-

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rency values will be further consolidated and guaranteed.

Since the people's confidence in paper currency may be difficult to restore after long years of suffering, it will be important, therefore, to institute a system of savings in terms of commodity values. While the private banks may not be allowed to undertake the function themselves, they may act as agents of the People's Bank of China in such savings deposits. When the currency values are fully stabilized, such savings in terms of commodity values will of course be no longer necessary. The normal savings business will then be properly developed. (Savings deposits in kind were inaugurated in Shanghai on June 14—Editor.)

All economic activities are to be built on the base of production. As far as possible, the banking industry should issue loans exclusively to agricultural enterprises and industries engaged in the production of daily necessities. While the private banks individually may not be strong enough to issue very large amounts in loans, they may attend to the needs of the smaller factories, while consortiums may be organized to handle bigger loans.

Work In Small Towns

Though the minimum capitalization of private banks has not yet been decided for the East China area, it may be assumed to be a very high figure, and it may be that many existing houses will not be able to meet the conditions. It is to be hoped that facilities will be granted to enable some of the banks in the metropolis to move to the small cities and towns, where they will be able to contribute to the promotion of production and economic prosperity.

Under the economic policy of the New Democracy, production, transportation, and credit cooperatives have important roles to play in the rural areas.

If private banks are established in the smaller cities and towns, they will prove of immense help in the promotion of the operations of these various cooperatives. Since the banks themselves cannot directly reach the large masses of the rural population in collecting their savings deposits, they may do so through the cooperatives. It is to be hoped that the smaller banks will be given help to move to the smaller cities and towns where they will be in the position to contribute actively to the promotion of economic development.

While training facilities have been provided in all liberated areas for military and political workers and other classes of cadre members, nothing seems as yet to have been done for workers employed in the financial industry. There are large numbers of youths employed in the industry who are very eager to improve themselves, and there seems to be a need for measures to be taken to provide these workers with a chance for re-education so that they will discharge their duties successfully in this new era of the people.

The Week's Business

THE money market remained very easy during the week. Transactions, mainly of a speculative nature, were numerous, as a result of which the prices of commodities started to rise considerably.

The price of rice increased by 100 percent, from JMP13,200 on June 22 to JMP26,000 on June 29, and the value of the parity deposit unit increased from JMP311 for June 22 to JMP395 on June 28.

While some increase in prices is to be expected until the civil war can be brought to an end, the current heavy price increases are due to the manipulations of many businessmen who still believe that the only way to make money is by forcing up the prices.

The timely actions of the local authorities have helped to check further increases. The Shanghai Trading Company has been buying and selling cotton yarn and cotton cloth in the local textile market. The Shanghai Foodstuffs Company has been selling rice in the rice market, and the China Vegetable Oil Company has dumped edible oil. Furthermore, the Chemical Industrial Raw Material Supply Company, organized from the Taiwan Sugar Corporation, the Taiwan Soda Company, and the Taiwan Chemical Fertilizers Company, is dumping large quantities of sugar in the market to force down the prices.

As from June 27, the Shanghai Military Control Commission ruled that all transactions in rice, as well as arrivals of rice in town from the producing areas, must be registered with the authorities.

The increase in the price of rice has created considerable difficulty for local business firms whose month-end pay-rolls are computed in terms of the price of rice. Many utility firms, for example, are finding it difficult to pay their workers because the utility tariff has not been increased very much. Many of these utility firms are reported to be negotiating for loans with the Shanghai Office of the People's Bank to pay their workers.

With the price of rice and other commodities increased without a proportionate increase in the exchange rate a situation may be created in which businessmen will find it unprofitable to export goods. The exchange rate remained virtually unchanged during the past week as shown below:

Foreign Exchange Quotations

	US$	Pound Sterling
	JMP	JMP
June 23	1,650	4,300
24	1,650	4,250
25	1,650	4,250
27	1,650	4,150
28	1,650	4,100
29	1,650	4,100

Indicative of the desire to get trade going was a set of regulations issued June 29 for the promotion of export trade. Another order on the same day authorized factories and public organizations to import raw materials for productive purposes directly without applying for registration or a business license with the Foreign Trade Control Bureau. Detailed regulations governing such imports will be promulgated later.

In general, industrial production has increased in this city due to the production drives initiated in many factories. The Shanghai Power Company is now supplying 115,000 kw of electricity at night and 100,000 kw during the day. Large quantities of coal are being sent here from Lienyunkong and from the Hwa Tung and Hweinan coal mines.

The summer wheat crop is estimated to be 30 percent less than that of an average year because of bad weather conditions and damage caused by the war. In the suburbs of Shanghai, the People's Liberation Army is helping the farmers bring in their wheat harvest. This close cooperation between farmers and soldiers is the first ever reported in this part of the country.

The Shanghai Trading Company is reported to be very active in the promotion of domestic trade. Working closely with the Chekiang Native Produce Company, the North Anhwei Trading Company, the North Kiangsu Trading Company, and the Shantung People's Government, the Shanghai company is exchanging industrial goods produced in Shanghai mills for rice, wheat, salt, edible oil, and other kinds of foodstuffs which Shanghai is short of. With improvement of transportation, it is expected that the shortage of agricultural products in this city will be overcome. Meanwhile, it is interesting to note that the railway authorities have decided to start a regular through train service between Shanghai and Peiping on July 1. If this plan is realized, the railway authorities will extend regular service to the Chekiang-Kiangsi Railway.

The following list gives the prices of commodities in Shanghai for June 22 and 29:

	June 22	June 29
	JMP	JMP
Silver Dollar	1,200	1,200
20's yarn	335,000	470,000
12-lb. cloth	14,950	18,000
Rice	13,200	27,000
Peanut oil	37,500	60,000
Coal briquette	2,200	3,400

NEWS OF THE WEEK

Nation Rejoices Over PCC Plans; Reaction To "Blockade" Awaited

NEWS of the formation of a preparatory committee of the new Political Consultative Conference in Peiping was greeted with nation-wide rejoicing. The various government organs, the People's Liberation Army, and the people's organizations in the liberated areas sent telegrams of congratulations to the preparatory committee and pledged their whole-hearted support. In many places, workers are planning to step up their production as their response to the call for the convocation of the new Political Consultative Conference.

The holding of the conference is generally regarded as the prelude to the establishment of a democratic coalition government for the whole of China. According to the *United Press*, "political observers in Nanking believe that the march of events during the next few months would be very rapid. The creation of a central political authority is considered merely dependent on the progress of the multiparty new Political Consultative Conference."

The way the Communists have been operating in Nanking and Shanghai leaves no doubt as to their ability to set up and administer a central government. The *United Press* pointed out: "As the situation stands today, there is no indication of any possible last minute obstacle to hamper the progress of the political program now being launched in Peiping. No observers who have had the opportunity of watching the liberationists at work doubt the chances of their final success of supplanting the Kuomintang in ruling China. In the Nanking-Shanghai area, they have not only shown themselves unchallengeable military, but politically and economically they also have proved themselves equal to the country's worst administrative problems."

The step-up-production campaign in the liberated areas has made big gains, according to reports from the north. In Tientsin, production has been fast increasing in the mills of the state-owned China Textile Industries during the past five months. In May, the output in all the CTI mills showed a steady increase. Compared with the previous normal output, cloth production in May advanced by eight percent daily while cotton yarn products increased by five percent. In the case of quality, the cotton yarn of 20's, for instance, is 32 percent better than it was in the past. Moreover, less than half the amount of fuel is now being consumed compared with the days before liberation. The boilers in the No. 4 Mill, for example, which consumed no less than 64.5 tons of coal every month, now require only a little more than 30 tons.

The main cause for the successful restoration and expansion of production in all the mills lies in the rapid execution of the city policies of the new People's Government. During the past five months, according to press reports, CTI workers—from managers and factory superintendents to the ordinary coolies—have discarded the bureaucratic attitudes and systems inherited from the Kuomintang. Higher political consciousness—in which workers have been taught to regard themselves as partners in the nationalized industries—has encouraged workers to achieve greater efficiency. The formation of representative trade unions and the provision of welfare schemes on an extended basis have ensured better living conditions under which increased production can be made possible.

Similar results have been reported in Shanghai, where it is understood that the workers in some state-owned enterprises have engaged in competition to fulfill their production programs ahead of schedule.

In North China, the People's Government during the past three years has spent 25,000,000 man days repairing 600 miles of dykes and strengthening danger points to protect the lives and property of millions living along the Yellow River. This is part of the government's efforts to harness the river, generally known as "China's Sorrow." The river is 2,600 miles long, the tenth longest in the world.

* * *

Catching At Straw

LIKE a drowning man, the Kuomintang regime in Canton is trying to catch at every possible straw. Most KMT leaders have already fled to safe places and the personnel of the government has been cut down by two-thirds in order to make it much easier to execute another flight. According to press accounts, a large group of the members of the Legislative and Control Yuans in Canton bitterly attacked the KMT government for what they charged was lack of a concrete defense plan in South China. They also demanded that the government halt high officials from escaping abroad.

Members of the two yuans, together with members of the provincial and municipal assembles, held a protest rally at which they singled out T. V. Soong, H. H. Kung, Sun Fo and all who quit China. They denounced the Ministry of National Defense as "defeatist and inexperienced."

In Washington, Kan Chieh-hou, personal representative of Li Tsung-jen, laid before President Harry S. Truman a request for more American aid to fight the Communists. It is further understood that Li Tsung-jen had addressed a letter to Truman. In an exclusive interview with the *Associated Press*, Kan disclosed that the presentation of further Nationalist requests to President Truman would in no way end the Nationalists' effort. He further said he was going to see Secretary of State Acheson and other high government officials to explain further the request which had already been presented to Truman. In addition to seeing more officials in Washington, including members of Congress, Kan revealed he would appeal to New York businessmen "who are interested in China's welfare."

Another dramatic action taken by the refugee government in Canton was its request to foreign ships to keep away from the ports in the liberated areas. Competent observers are of the opinion that the remnant armed forces of the Kuomintang are in no position to enforce an effective "blockade." From the military point of view the Kuomintang effort will have more nuisance than real value. It is pointed out that the naval power of the Kuomintang is weak and composed mainly of a collection of small vessels, some of whose crews are of doubtful loyalty. It is felt that this action was taken to serve political pur-

SHAKY GROUND

Commenting on Marshal Yen Hsi-shan's appointment as president of the KMT Executive Yuan, this cartoon from the Giefang Rhbao shows the former defender of Taiyuan clinging to an outworn structure as the waves of liberation rise about him.

poses. In this connection, international reaction is being awaited with interest.

* * *

Tension Relaxed

AS the result of the conclusion of the Council of Foreign Ministers of the Big Four recently held in Paris, tension in the world situation has relaxed. This is a distinct victory for the peace-loving peoples all over the world and a big defeat for the war mongers. Even the French Foreign Minister, M. Robert Schuman, had to admit in a speech delivered June 26 at Metz, Moselle Department, northeastern France, that "if this conference in Paris did not yet make a rapprochement of the establishment of confidence, all the same there has been a relaxation of international tension."

Of particular interest to the Chinese people was the proposal made by Soviet Foreign Minister Andrei Vishinsky at the Paris conference of the Council of Foreign Ministers for an early writing of a peace treaty for Japan by the Council of Foreign Ministers with the participation of China. The Western powers simply sidetracked the Soviet proposal. The United States insisted that a Japanese peace treaty be written by the Far Eastern Commission.

Chinese public opinion is demanding that the Council of Foreign Ministers, with China's participation, start drafting a peace treaty for Japan. It is pointed out that American insistence on referring the issue to the 11 countries represented on the Far Eastern Commission is merely a move to delay action, thus enabling the United States to continue its unilateral policy in Japan.

* * *

Strike Wave

A STRIKE wave has been sweeping over the major countries in Europe and America in recent months. In the United States, the situation has been complicated by the existence of a business depression, while in France and Britain the labor disputes are closely connected with internal politics.

In the United States, the business recession continued to develop. A group of CIO leaders charged that organized labor in the United States is faced with a "serious economic crisis" with about 5,000,000 workers now totally unemployed and about 10,000,000 more working only part time. They said that with decreasing business and rising unemployment, the "giant monopolies are depending upon the Taft-Hartley provisions as their weapons with which to smash the trade union movement, and degrade the living standard of the American workers."

On June 26, these leaders called for a one-day national strike to back the demand for repeal of the Taft-Hartley law, accusing President Truman and his party of a "scandalous betrayal" of their election

In US Magazines . . . . .

National Guardian

THE March 7th issue of the *National Guardian* reviews the case of six American negroes who were convicted of the murder of a storekeeper in Trenton, New Jersey last August and whose appeal was, at the time of writing, before the New Jersey State Supreme Court.

The *Guardian* charges that the confessions of the condemned men were "drawn from them by violence and repudiated in court," but that the US press virtually ignored the case. "Editors were too busy reporting and speculating on 'confession trials' in Europe," the article says. "They were indignant about the injustice done to a Hungarian Cardinal who confessed in open court in the presence of the world press.

"But if the curtain of silence shielded Americans from the shock of this ugly truth in Trenton, N.J., it failed to keep the matter from the attention of Europeans. In England and France and other countries many newspapers reprinted *Guardian's* reports of the case. Today US declarations of moral leadership in world affairs are being judged against this example of America's contemptuous treatment of her Negro citizens.

"Today, for the first time in history, lawyers from foreign countries are in the United States to observe and report on the state of American justice."

What was the crime? "At about 10:30 on the morning of January 27, 1948," in *Guardian* reports, "the street door to a dark and untidy junkshop at 213 North Broad St. opened and a 59-year-old woman with blood running down her face called for help. She had been struck on the head.

"In the back of the junkshop, stacked to the ceiling with a ragbag collection of second-hand goods, police found the proprietor, William Horner, 72, with a fractured skull. He was the common-law husband of the wounded woman, Elizabeth McGuire . . .

"Later that day he died. But before noon a general police alarm was out for the apprehension of 'two colored men.'"

Six Negro men were arrested and held for this crime, the magazine continues. At the time of the crime they were doing these things:

"McKinley Forrest was working at his job as a chicken picker at the Liberty Meat Market owned by Isaac Katzeff.

"John McKenzie worked all that day as a chicken picker at the Community Slaughter house.

"Horace Wilson was at work loading trucks in the warehouse of Edward Dilatush & Co.

"Collis English, brother-in-law of Forrest, worked all morning at home helping his mother do a washing. At about the time the murder was committed he was cashing a check for disability compensation: in the Navy he had contracted malaria and a weakened heart.

"Ralph Cooper spent the entire morning at the home of George and Rubie English. At about the time the murder was committed he was talking to a mailman there who had delivered a package.

"James Thorpe couldn't do much that morning: a week before, he was released from a hospital where one of his arms had been amputated. He spent most of the day watching his father and uncle repair the family car in front of his father's house . . ."

What happened next, the article says, is described in the brief filed by the defense lawyer, O. John Rogge, who is a former Assistant US Attorney General, which says that the men suffered through "five strained, intolerable, long nights and days." They "were questioned hour upon hour, day after night, for an improperly extended period of time without respite, except such as was required by the police inquisitors because of the exhausting nature of their own exertions . . . There is disputed but substantial evidence of coercion, violence, psychological pressure, use of drugs, threats, promises, deceit and a show of force."

The article continues: "In open court the defendants repudiated the confessions obtained by these means, but the prosecution presented no other evidence of guilt. The Rogge brief says. 'Except for these confessions, the State of New Jersey failed to adduce any other influential proof of guilt, direct or circumstantial, save pictures of the dead man and the medical testimony confirming the death.'

"The defendants were not identified. 'Three witnesses were called by the State in an effort to place the defendants at or near No. 213 North Broad Street at 10:30 on the morning of January 27, 1948. Two of them flatly declared that they could not associate the faces of the defendants with the persons whom they had observed on the day and hour in issue . . . The third, Elizabeth McGuire, even if believed, provided such unacceptable identification as to render what she had to say on the subject of minor consequence:'"

After nearly a year, the magazine concludes, the "Northern Scottsboro Case" is finally coming to the attention of such groups as the Civil Rights Congress, the National Civil Liberties Union and various other groups. Paul Robeson, head of a Committee to Save the Trenton Six, was quoted as saying: "Now the progressive forces are beginning to move to stop this crime."

(Because of the disruption of mail from abroad, the *Review* has had no further information on this case, but as soon as we do, we will inform our readers—Editor.)

What US Papers Say...

AMERICAN editorials expressed guarded optimism over the conclusion of the Council of Foreign Ministers meeting in Paris but felt the compromises reached indicated no change in the basic positions of the East and West. The US business recession also received editorial attention.

* * *

Better Than Nothing

THE *Richmond Times-Dispatch* declared: "The agreement reached by the four powers at Paris is not all that might have been achieved, but it is much better than nothing...

"It will not do to build too many hopes on the Paris agreement, either for Austria, for Germany, or for Europe as a whole, for the 'cold war' is still on. At the same time, we must realize that progress was made behind the pink marble walls of the Parisian Palace."

The *New York Times* felt the "ultimate value" of the agreements reached at Paris will depend on how they are carried out, and on this score the paper was doubtful of Russian motives. However, the *Times* observed: " . . . the agreements do contain some modification of the previous Russian stand, which may be taken as evidence that the Soviets do not desire an open break and are willing to keep the 'cold war' cold. In that sense, and in so far as the Paris results serve to confirm this development and thereby ease international tension, they may be welcomed for what they are.

"But it is essential to realize exactly what they are, and not to expect too much from them. The official communique frankly acknowledges that the four powers have been unable to agree on the restoration of the political and economic unity of Germany at this session . . . But the powers do pledge themselves formally to continue to seek agreement on German unification . . .

"The most detailed and potentially most hopeful of all the agreements is that on Austria. It delegates the completion of the Austrian treaty to the foreign ministers' deputies who have been working on it for more than a year, but it also provides solution in principle on the main issues which have stumped them . . .

* * *

Ups And Downs

THE *Wall Street Journal* expressed its ultimate faith in the present American economic system and warned against any attempts at a "planned economy" to meet business slumps like the current one. The paper said:

"Since World War I we have had four periods of declining business. First, there was 1920-21; then came 1929-33; then 1937-38; and finally the decline that started last fall.

"The first of these recessions started at a production level of 82, in terms of the current Federal Reserve Board production index which uses the years 1935-39 as its base. The second decline started from a production point of 115. The third setback followed a production high of 123. And the present decline got underway after industrial production hit a peak of 195 last fall. . .

"Despite our ups and downs, we have progressed industrially and socially in the right direction and in truly remarkable tempo. And, this cannot be stressed often enough, from each setback we have come back stronger.

"The only thing we are afraid of today is that we may be talked into giving up this pattern of progress for a pattern of 'security' which can end only in stagnation.

"We don't know of any 'planned economy' that has made a success. And even those who still insist that the original New Deal 'saved this country' simply fail to recognize the fact that the country, in the mid-Thirties, recovered not so much because of, but despite the New Deal.

"We are perfectly willing to admit that serious mistakes were made in the past. . .

"The 'planners,' admit that they're bound to make mistakes too. But there's nothing in their record, experience or accomplishments that gives us any confidence that we would benefit from such mistakes, that we would 'come back stronger than ever' and that our industrial and social progress would continue."

pledge to repeal the said law. They issued a statement, following an emergency conference, bitterly assailing the administration-backed amendments to the Taft-Hartley act as "vicious anti-labor proposals." Accusing top reactionary leaders of the CIO and AFL of a "cowardly retreat" for accepting the compromise amendments, the statement called for a nation-wide labor drive to seek restoration of the Wagner Act and urged a one-day national strike in support of total repeal of the Taft-Hartley Law.

The emergency conference was called in Washington by a group of left-wing leaders of ten CIO unions: Marine Cooks and Stewards; Farm Equipment and Metal Workers; Mine, Mill and Smelter Workers; Public Workers; Office and Professional Workers; Fur and Leather Workers; Food, Tobacco and Agricultural Workers; American Communications Association; Electrical, Radio and Machinery Workers; and Furniture Workers. It was attended by 390 delegates from 24 unions, who spoke for more than 1,000,000 workers. Leaders of the conference charged that the government-backed amendments are "crippling" proposals which may lead Congress to "re-enact the Taft-Hartley act with a mere change in the name of the sponsors."

The unemployment situation has caused considerable concern in labor circles. President Philip Murray of the CIO called on union branches to write to their representatives in Congress and demand immediate action to stem the tide of growing unemployment. In a message to the union branches, Murray declared:

"The situation will become worse before it gets better unless immediate remedial steps are taken. Hundreds of thousands of workers in many industries are working less than full time. Total unemployment with its attendant distress has risen 50 percent this year and the end is not yet in sight."

* * *

Steel Drops

THE American steel operating rate dropped again last week. This time it fell to 84.5 per cent of capacity, putting it about on the 1941 level. Steel prices are shaky. The "Steel" magazine placed the composite price of finished steel at US$91.82. This represents a 29 percent drop in the week. The big pro-

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ducers have been banking blast furnaces and open hearths because of lack of orders. About 50,000 workers have been laid off in the last few months, it is reported.

This steel depression has affected Japan as well. According to the *United Press*, the slump in world buying has hit Japanese steel exporters the hardest of any big industry in Japan and occupation officials are "frankly worried" over what to do about it. One recommendation certain to be accepted is to send Japanese steel salesmen abroad under a plan approved by General Douglas MacArthur's headquarters. Calvin Verity, former director of the American Rolling Mills and Army Steel Corporation and now director of SCAP's industrial production and public utilities division, is making a survey of the entire steel industry. Verity, who strongly favors sending Japanese businessmen abroad, said: "You cannot tell what the world market in steel is unless you send men out in the field to find out."

Other headquarters officials, eyeing the 50 percent drop in Japanese steel export contracts during the past two months, are also thinking of ordering a possible cutback in production which has been going at full blast despite the drop in foreign sales. At present Japanese steel production is geared to produce 1,800,000 tons for the current year—the maximun allowed under a Far Eastern Commission directive.

* * *

Proposed Cure

AS a remedy for the current business depression in the United States, President Truman on June 24 called on Congress to allocate US$45,000,000 for developing the world's backward areas. According to the *United Press*, Truman stressed in his message to Congress that by helping these under-developed countries in Africa, Asia and Latin America the United States would be helping itself by "creating new markets for its goods and building strong democratic allies."

He emphasized that the proposals he laid before Congress were "only the first step" in a venture "that extends far into the future," but he asked prompt action on the grounds that the plan is "of major importance to our foreign policy."

He urged in his message:

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What Chinese Papers Say...

THE recent activities by Kuomintang special agents in the liberated areas have aroused demands that stern measures be taken against them. The writing of a peace treaty for Japan was advocated.

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Suppression Of Agents

THE *Giefang Rhbao* carried an editorial, distributed by the *New China News Agency*, demanding that drastic action be taken to suppress the activities of Kuomintang agents in the liberated areas. The paper wrote:

"More and more trouble-making plots of foreign imperialists and their running dogs (the Chinese reactionaries) have come to light. This is because the reactionaries have lost their open armed battle against the Chinese people and they are resorting to more concealed forms of struggle. In the cities, the Kuomintang bandits, before their flight or destruction, had laid out well-prepared plans with the help and direction of imperialists for undercover agents to carry on their activities. After liberation, these special service agents started circulating rumors, collecting information, organizing robberies and assassinations, disturbing law and order, printing counterfeit banknotes, undermining the financial markets, distorting the policies and laws of the people's government, inciting disputes between labor and management in order to hamper rapid recovery of production, and wrecking and damaging the equipment and materials of State-owned factories, mines and warehouses. The recent discovery of an American spy ring in Mukden, the commission of arson and assassination by Kuomintang special agents in Peiping, and the various activities of the Chinese and foreign trouble-makers in Shanghai combine to indicate that the imperialists and the Kuomintang gang are employing secret agents to fight and undermine the democratic regime of the Chinese people.

"In the rural districts, particularly in the newly-liberated provinces of Honan, Anhwei, Hupeh and in the wide countryside south of the Yangtze River, the Kuomintang gang is sending a large number of their secret service agents to cooperate with the local reactionary elements and is making use of the various feudalistic associations to organize bandits to oppress the people or even attack the village governments and local armed units of the people for the purpose of creating disturbances in the rear of the People's Liberation Army. Hard facts have taught us that it will be impossible to stabilize social order and the people's livelihood and it will be extremely difficult to carry on our revolutionary work unless these special agents can be wiped out."

Peace Treaty

LEADING Chinese papers were unanimous in demanding that immediate preparations be made for writing a peace treaty for Japan at the earliest possible date.

The *Wen Hui Pao* blamed the United States for the long delay in concluding such a treaty. It pointed out:

"It has been four years since Japan surrendered, and yet the Peace Treaty with Japan is still an outstanding issue. The basic reason for this is American imperialism's attempt to occupy Japan permanently and all by itself, to convert Japan into its military ally, and to make that country the springboard for the invasion of Continental Asia. In accordance with the principle laid down in the Potsdam Agreement, the Japan Peace Treaty should be prepared for by the Council of Foreign Ministers. But . . . as far back as July 11, 1947, American imperialism unilaterally announced the preliminary discussion on the Japan Peace Treaty on August 19 of the same year by the 11 nations which participated in the Far Eastern Commission . . . Most of the 11 nations in the Commission are satellites of the US-British bloc. American imperialism obviously intended thus to realize her aims through the overpowering of the minority by the majority . . . .

"However, the liberation of the Chinese people has changed the situation in Asia," the paper continued. "The problem of writing a peace treaty for Japan can no longer be delayed. Japan under the wing of American imperialism has become a threat to the peace of the Far East. . . The Chinese people have an absolute right to demand an immediate convocation of the Council of Foreign Ministers of the Big Four in accordance with the principles laid down in the Potsdam Agreement to write a democratic and fair peace treaty for Japan . . ."

The *Ta Kung Pao* suggested that in handling the Japan problem the people's democratic China should adhere to the following principles:

"1) Be determined in its opposition to all American imperialistic acts and designs for the fostering of the reactionary forces of Japan; 2) insist on reparations payments, the dismantling and removal of Japanese war plants, the thorough disarmament of Japan, and oppose America's unilateral announcement to cancel reparations payments; and 3) demand the early convocation, on the basis of the Potsdam Declaration, of the Four-Power Preparatory Conference on the Japan Peace Treaty, with the participation of the people's democratic new China, and at the same time insist on veto power for the Big Four."

In Chinese Magazines . . . .

Outlook Weekly

THE *Outlook Weekly* of June 27 carries an article of timely interest by Mr. Sa Chien-li, discussing the current general situation and the tasks confronting Chinese students.

At the outset, Mr. Sa points out the momentous shift in Communist policy. He said among other things:

"Side by side with the developments in the Chinese revolution, the Chinese Communists have made a shift in their policy. In the past their center of gravity was in the countryside. As a result, agrarian reform was given priority. Now the situation is changed. Communist activities are concentrated in the cities, which are expected to lead the villages. The ratio between industry and agriculture in China is 10 to 90. Therefore, the question of reconstructing China's national economy and industrializing China is one of vital importance. This is the reason why it is necessary for the cities to lead the villages.

"The second plenary session of the Central Executive Committee of the Chinese Communist Party laid special emphasis on shifting the center of work to the cities. It was stressed that the cities must lead the villages and there must be a free exchange of goods between the cities and the villages, thereby gradually placing the living standard of the people in the cities and in the villages on the same level. In other words, the living standard of the peasants will be improved. This is the objective of Communist policy for the present.

"The chief producer in the city is the worker, and the chief producer in the village is the farmer. The Chinese Communist Party is a party of the proletariat. The Communist-led government of the new democracy is based on the workers and farmers, who combine to constitute 80 or 90 per cent of China's total population. It is therefore a government of the people, excluding, of course, a small number of feudalistic land-owners, bureaucratic capitalists and compradores.

"In the past, there existed a third force, which was supposed to pursue a middle course, trying to patch up the differences between the party in office and the parties out of office. But the policy of the new democracy constitutes an entity and represents the overwhelming majority of the Chinese people. Under such circumstances there can be no third force. The new Political Consultative Conference sponsored by the Chinese Communist Party is entirely different from the old Political Consultative Conference. The old Political Consultative Conference was composed of the Kuomintang, the Communist Party and other parties in the middle. Now things are different. The reactionaries of the Kuomintang have been smashed. True, the progressive elements of the Kuomintang have their own organization in the form of the Revolutionary Committee, which, however, represents only a minority. The Chinese Communist Party represents the overwhelming majority of the Chinese people. The new Political Consultative Conference, with the Chinese Communists as the core, is representative of the proletariat and the peasantry in cooperation with the revolutionary intellectuals, the petty bourgeois elements and liberal bourgeoisie . . ."

Turning to the question of implementing the new democracy doctrine, the article explains:

"Communist policy is to have consideration for all sides. These sides represent public and private interests, capital and labor, city and village, China and foreign countries. Take the relations between capital and labor, for example. Communist policy must see to it that both capital and labor benefit by any solution of their problems. Since the Chinese Communist Party is based on the working classes, it is therefore only to be expected that the Communists should give the interests of the workers first place in their consideration. However, they must also look after the interests of management in order to expand production and improve economy. The Communists still recognize exploitation of labor by management, but they will not tolerate any unreasonable exploitation which will hamper production. No feudalistic exploitation will be tolerated. At present it is impossible to free China of exploitation. We must put up with it for the time being, for the sake of expanding production and implementing the new democracy. . ."

Then the article discusses the tasks facing the Chinese students and comes to the following conclusions:

"Since the basic problem at present is how to expand production in the cities, it therefore behooves the students to pay special attention to the mastering of productive skill. This does not mean to say that we are against other sciences or arts.

"Second, the students for the most part are progressive, but there are some who are backward or even heading in the opposite direction. We must win them over so that the vast majority of the students may participate in the building of the new democracy.

"Third, it is vital for the students to line up with workers and farmers in their pursuit of knowledge and in their work."

1) An expansion of technical assistance to the under-developed areas, including the Far East.

2) A guarantee plan to encourage private investment.

He requested broad authority to permit the government to start a "guarantee program" to assist American businessmen who want to invest in productive enterprises in the under-developed areas.

* * *

Situation Tense

IN Britain, there has been no improvement in the labor situation. The Acton, London and Manchester branches of the British National Union of Railwaymen rejected the proposal of the railway executives on the question of wage increases. The wage dispute has threatened to bring a crisis in the relations between the union and the authorities of Britain's 10-month-old nationalized railways.

In France, the decision of the Confederation of Christian Trade Unions to act in unity with the Communist-dominated Confederation of Labor in pressing wage and other claims for the French workers represents a reversal of policy by the Christian trade unions. It is generally felt that the decision will have far-reaching consequences on French politics. Experienced observers believe that the French Communists will stage a big come-back shortly. *Reuter* reported from Paris:

"It is a victory for Communism which has caused considerable alarm to the French Government."

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The Review's English Lesson—LXXXVII

THIS week, we shall take as our text an editorial appearing in the June 25 issue of the *Review*, entitled "Shanghai's Foreign Press". This editorial observed that the foreign press in Shanghai during the past few weeks has published several stories which might have led to misunderstandings, and one which did—the story about the alleged "mining" of the Whangpoo. The editorial concluded that it would help matters if there were some official agency with which the foreign press could deal. We quote the opening sentence: **The Giefang Rhbao (Liberation Daily) . . . . carried an article and an editorial commenting upon the intrigues of the foreign imperialists and singling out the British-owned North China Daily News for its publication of the false report. . . .**"

Singling out: to single out is to select; as here, to isolate for censure.

The article charged that the North China fabricated the whole mine-laying story: "fabricated" means invented, made up, made up out of whole cloth.

Chronology: time-sequence; as used here, it means the day-to-day history of the events connected with the mine-laying story.

. . . . imperialists had purposely started the rumor that the mouth of the Yangtze was mined in an effort to further their aggressive aims in China. "To further" means to promote, to carry out; "to further one's aims" is to carry out one's designs or ambitions.

. . . . imperialists have shifted from direct military assistance to Chiang Kai-shek to attempts at political and economic intervention in the affairs of Liberated China. "From...to...to. . .." This sentence should be read, "shifted **from** ... assistance...**to attempts** ..."; the phrase "to Chiang Kai-shek" modifies "assistance".

. . . . the People's Government will conduct an investigation into the source of this rumor, assessing responsibility for such criminal actions. .. "Assess" means to try, to ascertain, to determine.

The Chinese people . . . cannot allow freedom of action for the perpetration of any criminal act against the interests of the Chinese people. "To perpetrate" is to do, to commit; it usually, as here, connotes a criminal or unlawful act, as to perpetrate a fraud, to perpetrate falsehood, etc.

. . . . what the ex-Generalissimo was supposed to have said. . . Another case of English tense, which may seem too elaborate and cumbersome to the Chinese student of the language. "Was supposed" indicates that the supposing was done at some time in the past; "to have said" indicates that the saying was done before the supposing. This verb construction indicates no definite supposers or sayers: they could have been anyone. If there is a definite antecedent, the sentence can be put differently: "They (certain reporters, for example) supposed that the ex-Generalissimo said...."

. . . . the plight of these unauthorized passengers. . . A "plight" is a condition, state, usually a bad or unhappy one. "Thousands of persons living in the environs of Shanghai were put in a grievous plight by the destruction of their villages."

It was never sufficiently emphasized that they came without any sort of official authorization and that they therefore had no reason to expect to be allowed to land. More verbs, but simpler this time. "Came" and "had" are in the simple past tense. "To expect to be allowed to land", although all yerbs in the infinitive, here function differently. "They had no reason to expect" can be put "They could not expect"; what? The rest of the sentence answers this, and thus functions as a noun, object of the verb "expect."

. . . . the old days when foreigners could "get by" without conforming with the proper procedures. . . "Get by" means to squeeze through, to cut corners, to squeak through: to attain one's ends or ambitions, sometimes using shady or dishonest means. In another sense, it means to face the difficulties of life courageously. "How will you manage?" one might say to a friend in difficulties. "Oh, I'll get by somehow."

. . . . a ship loaded with Chinese which had blandly sailed into San Francisco and desired to land. "Blandly" means courteously, mildly. We believe there is a little confusion here, caused by the ambiguity of the antecedent for the pronoun "which." As the sentence stands, this could be either "ship" or "Chinese". Now, a ship could well sail into San Francisco harbor, but could hardly desire to land. A ship might even be thought of as "blandly sailing", but the adverb more properly applies to humans. The ambiguity could be resolved by the use of "who" instead of "which".

. . . . the authorities' hands would be forced. To force their hands means to apply pressure upon them to do what one wishes.

(A typographical error unfortunately appeared in the first paragraph of this editorial. **. . . asked the Government to publish the paper.** The word should of course be "punish.")

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